



MULTI-MODAL TRANSPORTATION Program Investments and Revenue Issues

Presentation to the State
Transportation Commission
September 29, 2005

MULTI-MODAL PROGRAM INVESTMENTS AND REVENUES

■ Purpose of Presentation

- ❑ Describe MDOT's Multi-Modal Transportation Program Investments
 - ❑ Describe Federal, State and local funding sources associated with the Multi-Modal programs
 - ❑ Discuss the nuances and challenges presented in preserving/enhancing revenue sources
 - ❑ Support STC's understanding of multi-modal portions of MDOT's FY2006 Transportation Program and Five Year Program
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MULTI-MODAL TRANSPORTATION SERVICES BUREAU

The Multi-Modal Transportation Services Bureau administers grants to local agencies for capital improvements of locally-owned infrastructure, and operating assistance for locally and privately owned services. We also regulate, permit and inspect agencies, operations and infrastructure.

MULTI-MODAL PROGRAMS AND FUNDING SOURCES

MMTSB MAJOR ACTIVITIES & FUNCTIONS

■ Aviation

- Airports and Aviation Services Divisions

■ Local Bus Transit

- Passenger Transportation Division

■ Intercity Bus & Rail Passenger

- Passenger Transportation Division and Rail Passenger Section

■ Marine & Port

- Passenger Transportation Division
- Freight Safety & Services Division

■ Rail Freight

- Freight Safety & Services Division
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AVIATION INVESTMENT PROGRAMS

- **Airport Improvement Program**

- Capital grants for improvements

- **Air Service**

- Airport awareness
- Jet service grants

- **All Weather Airport Access**

- Maintenance of equipment
- Installation of equipment



AVIATION SUPPORT PROGRAMS

■ Air Transport

- ❑ 2000 passengers
- ❑ 98 locations

■ Airport Licensing Program

- ❑ Inspections at airports & heliports
- ❑ Aircraft registration
- ❑ Licensing of flight schools & aircraft dealers

■ Aviation Safety & Education Program

- ❑ Pilot safety programs
- ❑ Teacher workshops
- ❑ Airport manager workshops



AVIATION FUNDING SOURCES

- **Federal Aviation Funds**
 - **FAA Airport Improvement Funding**
 - ❑ User fees and General Funds
 - ❑ Funding levels based on *Vision 100, Century of Aviation Reauthorization Act*
 - ❑ Received as a block grant
 - ❑ Typically funds 95% of project cost - State & locals split the 5% match
 - ❑ Funds 94 of State's 238 public use airports
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AVIATION FUNDING SOURCES

- **State Aviation Funds**

- **State Aeronautics Fund**

- Aviation Fuel Taxes
 - Licenses and permits, such as aircraft registration fees
 - Other revenue

- **ASAP Bonds**

- Airport Parking Tax Act
 - \$60 million bond authorization which ends in December 2007

- Local funds contribute to match

LOCAL BUS TRANSIT INVESTMENT PROGRAMS

■ Local Transit

- Eight federal and state programs, including:
 - Local Bus Operating
 - Capital Match

- Capital and/or operating assistance to 116 transit providers in all 83 Michigan counties



LOCAL BUS TRANSIT SUPPORT PROGRAMS

- Transit Support Activities include:
 - ❑ Contract and Payment Distribution
 - ❑ Subrecipient Monitoring
 - ❑ State Bus Contracts
 - ❑ Many support activities eliminated with FY2005 staff reductions
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LOCAL BUS TRANSIT FUNDING SOURCES

■ Federal

- ❑ As provided for in SAFETEA LU
- ❑ FTA federal formula apportionments to MDOT
- ❑ Congressional earmarks directly to MDOT or managed by MDOT on behalf of local agencies
- ❑ FTA apportions about 80% of federal transit funds directly to transit agencies; MDOT not involved

■ State

- ❑ Comprehensive Transportation Fund
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INTERCITY INVESTMENT PROGRAMS

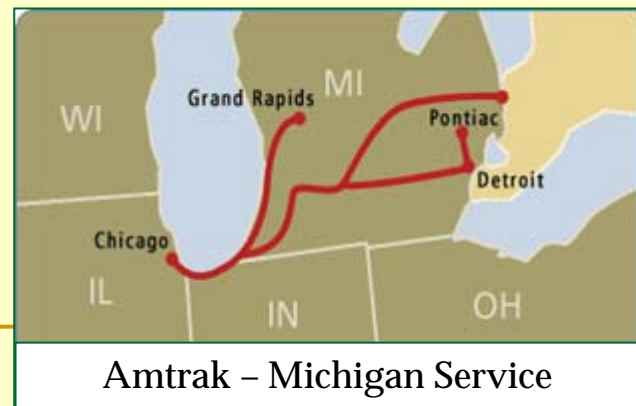
■ Intercity Bus and Passenger Rail Service

- Intercity bus service in the Upper Peninsula and Northern Lower Peninsula



- Legislatively mandated intercity passenger rail service

- Port Huron to Chicago
- Grand Rapids to Chicago



INTERCITY INVESTMENT PROGRAMS

- Intercity Bus and Passenger Rail Capital
 - Bus and rail terminals
 - Motorcoach replacements



INTERCITY INVESTMENT AND SUPPORT PROGRAMS

- **Limo and Charter Bus Regulation**
- **High Speed Rail Development**
 - Capital grants (as available)
 - Technical assistance
- **Commuter & Regional Rail Service**
 - Study grants (as available)
 - Technical assistance



INTERCITY FUNDING SOURCES

■ Federal

- ❑ Intercity Bus set aside from federal Section 5311 nonurban formula apportionment; Based on SAFETEA LU
- ❑ Rail passenger earmarks or special project funding as available

■ State

- ❑ Comprehensive Transportation Fund
 - ❑ Intercity Bus Loan Fund as set in annual boilerplate
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MARINE AND PORT PROGRAMS

- Port Assistance
 - Mandated administrative funding to DWCPA

- Marine Passenger
 - Capital grants to public ferry systems
 - Note: Public ferries also receive local bus operating assistance



MARINE AND PORT FUNDING SOURCES

■ Federal

- ❑ In most years, no federal funds for marine and port unless Congressional earmarks

■ State

- ❑ Comprehensive Transportation Fund
 - ❑ Requirements of Act 639 of 1978 (port)
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RAIL FREIGHT INVESTMENT PROGRAMS

■ Freight Property Management

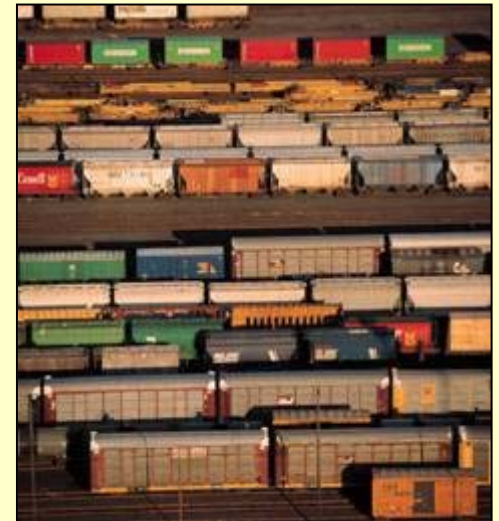
- ❑ 650 miles of state-owned rail lines
- ❑ Vegetation control; Bridge, culvert and crossing repairs



RAIL FREIGHT INVESTMENT PROGRAMS

■ Freight Preservation and Development

- ❑ Capital improvements on state-owned rail infrastructure
- ❑ Enhance rail service in rural areas and small towns
- ❑ Economic development financial assistance to rail users



RAIL FREIGHT INVESTMENT PROGRAMS

- **Michigan Rail Loan Assistance Program (MiRLAP)**
 - Revolving, no-interest loan program
 - Assists rail industry preserve and improve infrastructure
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RAIL FREIGHT INVESTMENT AND SUPPORT PROGRAMS

■ Local Grade Crossing Program

- ❑ Safety enhancement projects
- ❑ Local road project coordination
- ❑ Crossing closure incentives

■ Rail Safety Support

- ❑ Grade crossing inspections
- ❑ Regulatory orders & compliance
- ❑ Railroad employee safety issues



RAIL FREIGHT FUNDING SOURCES

■ Federal

- Federal Highway Funds available for safety/grade crossing projects

■ State

- Comprehensive Transportation Fund
 - Michigan Rail Loan Repayments
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MULTI-MODAL FUNDING ISSUES AND CHALLENGES

Comprehensive Transportation Fund Issues

CTF ISSUES/CHALLENGES

- Highly Specified in Statute as to Purpose
 - Investment strategy reflects statutory mandates
 - Revenue Sources Not Constitutionally Protected
 - Constrained Appropriations
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CTF ISSUES/CHALLENGES

- Act 51 Priorities and Distribution Mandates for the CTF
 1. Debt Service
 2. Administration of the Fund
 3. Local Bus Operating Assistance (*Not less than FY1997 amounts*)
 4. 10% for Intercity Passenger and Intercity Freight
 5. Remaining for public transportation purposes
 - Not less than \$3.6 million for Specialized Services
 - Not less than \$8.0 million for Bus Capital
 - Not less than \$2.0 million for Municipal Credit

CTF ISSUES/CHALLENGES

■ CTF Revenue Sources

- ❑ MTF Contributions
- ❑ Sales Tax Contributions
- ❑ Miscellaneous

■ MTF Distribution to the CTF

- ❑ Act 51 distributes 10% from the MTF to the CTF
- ❑ Distribution is after certain specified deductions - actual amount closer to 8.06%

CTF ISSUES/CHALLENGES

- Sales Tax Contribution to the CTF
- 6% Sales Tax distribution:
 - 2% - School Aid Fund
 - 4% - Divided as follows:
 - 15% - Revenue Sharing
 - 60% - School Aid Fund
 - Of the remaining 25%:
 - 72.1% to the General Fund
 - **27.9% to the CTF**

CTF ISSUES/CHALLENGES

Mandated Reductions to CTF Revenues

| | | |
|-----------------|---|------------------|
| FY1992 | Executive Order lapse from CTF to General Fund | \$11.80 million |
| FY1993 | Executive Order lapse from CTF to General Fund | \$9.60 million |
| FY1998 | Act 117 of 1997 - Appropriated CTF fund balance to the highway program | \$25.00 million |
| FY2002 | Executive Order reduced sales tax contribution to the CTF | \$12.75 million |
| FY2002 | Act 746 of 2002 - Reduced the CTF fund balance | \$9.60 million |
| FY2004 | Act 151 of 2003 - One-year reduction of MTF Apportionment to the CTF | \$10.00 million |
| FY2004 & FY2005 | Act 139 of 2003 - Two-year reduction in sales tax contribution to CTF | \$21.50 million |
| FY2005 | Act 544 of 2004 - One-year reduction in sales tax contribution to the CTF (over and above the reduction in Act 139 of 2003) | \$10.00 million |
| | TOTAL | \$110.25 million |

In addition to above, in 1997, state gas tax was increased from 15 cents to 19 cents, through Act 83 of 1997, although no increase was included for the CTF

CTF ISSUES/CHALLENGES

■ **Impact of Constrained CTF Revenues**

□ **Federal Transit Match**

- Federal grants are the primary source of funding for routine capital needs, such as bus replacement and facility improvement
 - Federal capital grants require a 20% non-federal match
 - Act 51 requires State to provide 66-2/3% of the match
 - In practice, MDOT has provided entire 20%
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CTF ISSUES/CHALLENGES

■ Federal Transit Match

- ❑ FY2006 match commitment estimated at \$30 to \$35 million
 - ❑ Executive Budget includes \$16.3 million CTF appropriation for match
 - ❑ MDOT can only commit to Act 51 required minimum in FY06
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CTF ISSUES/CHALLENGES

■ Local Bus Operating

- ❑ Eligible local operating costs have increased faster than the CTF appropriation
- ❑ State's share of eligible expenses has been declining every year

CTF – LOCAL BUS OPERATING

| Fiscal Year | Appropriation for Local Bus Operating | State's Share | State's Share |
|-------------|---------------------------------------|---|--|
| | | Over 100,000 in Population (50% maximum in Act 51) | Under 100,000 in Population (60% maximum in Act 51) |
| 2005 | \$161,680,000 | 32.43% | 38.43% |
| 2004 | \$161,680,000 | 35.20% | 42.23% |
| 2003 | \$160,000,000 | 35.59% | 42.93% |
| 2002 | \$159,500,000 | 37.73% | 45.00% |
| 2001 | \$155,252,700 | 38.06% | 45.45% |
| 2000 | \$149,976,300 | 39.33% | 47.01% |
| 1999 | \$154,950,200 | 42.44% | 50.88% |

CTF ISSUES/CHALLENGES

- **Additional Impacts of Constrained CTF Revenues**
 - ❑ No state funding for transit improvement initiatives, such a regional demonstration projects
 - ❑ No state funds for high speed intercity rail capital improvements
 - ❑ Reduced capacity to encourage rail freight-based economic development
 - ❑ Difficult for MDOT and CTF recipients to develop long term strategies since CTF not viewed as a stable
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CTF ISSUES/CHALLENGES

■ Forced Transit Staff Reductions

- 20% reduction in FY2005, another 20% likely in FY2006
- Significant performance reductions in:
 - Applying for federal aid for local providers
 - Distributing state and federal grant contracts
 - Making payments to local providers

■ Future Rapid Transit

- Existing CTF revenue sources cannot support addition of rapid transit to Michigan in terms of:
 - Match
 - Increased demand for operating assistance

Aviation Funding Issues

AVIATION FUNDING ISSUES/ CHALLENGES

■ **Aviation Fuel Tax**

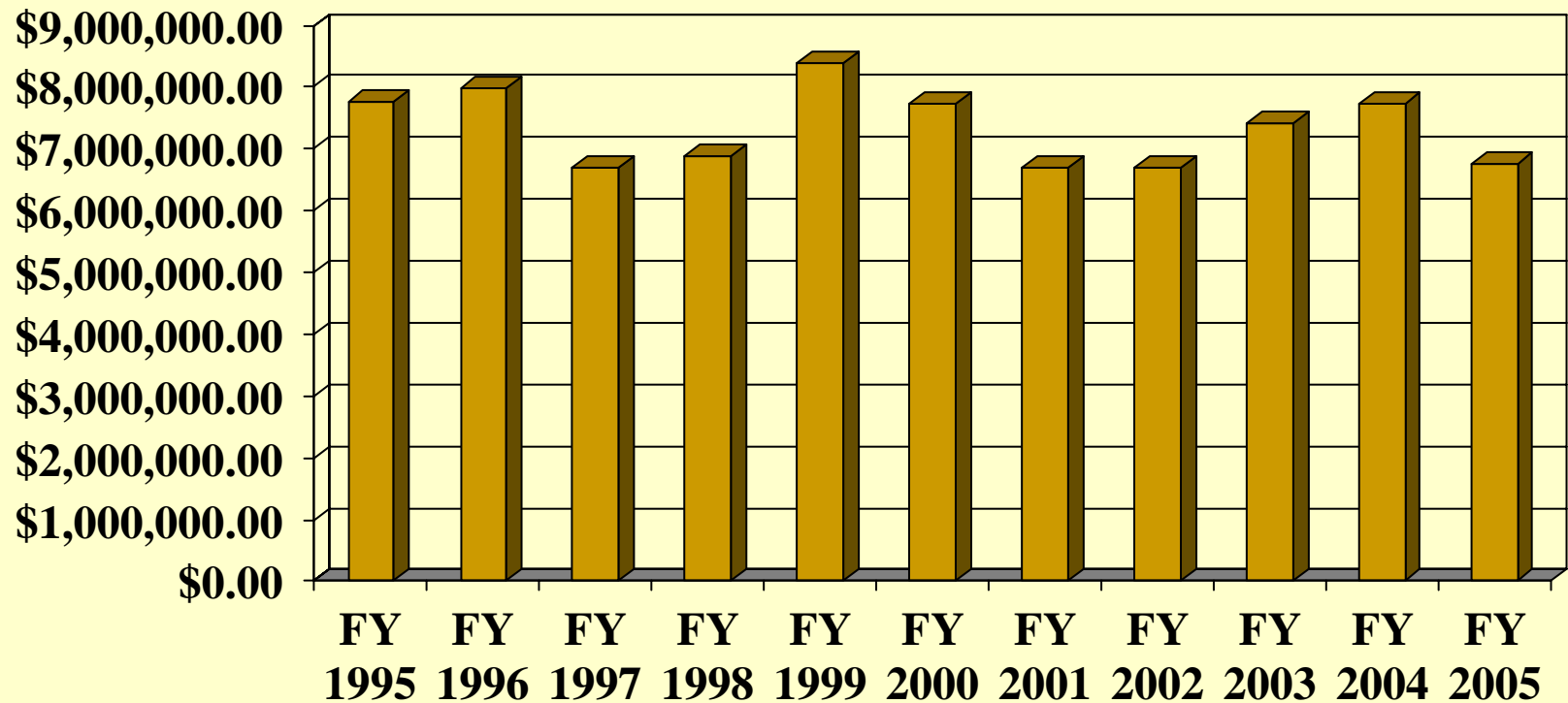
- Revenues are declining
- Aviation fuel tax is 3 cents per gallon with a 1½ cent rebate to air carriers
- Has not changed since it inception in 1931

■ **ASAP Bonds** - Authorization expires December 2007

■ **Federal Funding** - Authorization expires in 2007

AVIATION FUNDING ISSUES/ CHALLENGES

Aviation Fuel Tax Revenue



AVIATION FUNDING ISSUES/ CHALLENGES

- 1995 Fuel Tax Revenue = \$7.8 million
- 2004 Fuel Tax Revenue = \$7.7 million
- If adjusted for annual inflation using the Detroit CPI, the buying power of 2004 revenues is reduced by 22%

QUESTIONS
